

Clerk's stamp:

COURT FILE NUMBER 1301-02432
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS
AMENDED

AND IN THE MATTER OF THE ALBERTA *BUSINESS
CORPORATIONS ACT*, R.S.A. 2000, c. B-9, AS
AMENDED

APPLICANT RS TECHNOLOGIES INC.

DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
BLAKE, CASSELS & GRAYDON LLP
3500, 855 – 2nd Street S.W.
Calgary, AB T2P 4J8
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Telephone: 403-260-9697/9628
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ryan.zahara@blakes.com
File Ref.: 89300/1

**AFFIDAVIT OF HOWARD R. ELLIOTT
(Re: Stay Extension)**

I, Howard R. Elliott, of the City of Milan, in the State of Michigan, United States of America, **MAKE OATH AND SAY THAT:**

1. I am the President and Chief Executive Officer of RS Technologies Inc. ("RS" or the "Company") and swear this Affidavit on behalf of RS. I have personal knowledge of the facts deposed to herein or, where indicated, I have been advised and believe the facts to be true to the best of my knowledge. In preparing this Affidavit, I have also consulted with other members of the senior management team at RS.
2. I am authorized to make this Affidavit on behalf of RS.

3. All capitalized terms used but not defined herein have the meaning ascribed to them in my Affidavit sworn on March 13, 2013 (the "First Affidavit").

RELIEF REQUESTED

4. This Affidavit is made in support of an application by the Company for an Order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), extending the Stay Period (as defined below) to July 31, 2013, or such later date as the Court sees fit to grant.

BACKGROUND

5. The Initial Order granted by this Honourable Court as part of the within proceedings, *inter alia*:
 - (a) stayed all proceedings and remedies taken or that might be taken in respect of the Company or any of its property, except as otherwise set forth in the Initial Order or as otherwise permitted by law, for an initial period of 30 days to April 12, 2013 (the "Stay Period");
 - (b) authorized the Monitor to obtain interim financing from Werklund Capital Corporation ("WCC") and Melbye Skandinavia AS ("Melbye", and collectively with WCC, the "Interim Lender") on behalf of the Company and granted a charge against all of the property and assets of the Company in favour of the Interim Lender to secure the interim financing; and
 - (c) permitted the Company to file with the Court a plan or plans of compromise or arrangement between the Company and its creditors.
6. Pursuant to two separate Orders granted by this Honourable Court as part of the within proceedings on April 11, 2013:
 - (a) the Stay Period was extended to June 28, 2013; and

- (b) a sale and investor solicitation procedure (“SISP”) and accompanying asset and share purchase agreement (the “**Credit Bid Purchase Agreement**”) between the Company, as vendor, WCC and Melbye, as purchaser (the “**Stalking Horse Credit Bidder**”), and the Monitor were approved.

SALES PROCESS

7. The SISP was carried out upon the terms and conditions established therein.
8. The first phase (“**Phase One**”) of the SISP required interested parties to submit non-binding indications of interest which would then be evaluated by the Monitor. Parties who were deemed to have submitted a qualified non-binding indication of interest would be permitted to proceed to phase two of the SISP and submit a qualified bid. If no qualified non-binding indications of interest were received by the Monitor at the end of Phase One, the Monitor was permitted to terminate the SISP and apply to this Honourable Court for approval to implement the Credit Bid Purchase Agreement.
9. As the Monitor did not receive a Qualified Non-Binding Indication of Interest (as defined in the SISP) prior to the end of Phase One, the SISP was terminated on May 21, 2013.
10. I understand that the Monitor is currently conducting final negotiations with the Stalking Horse Credit Bidder with respect to any and all outstanding items in relation to the completion of an Asset Bid or a Share Bid (each as defined in the SISP) (the “**Transaction**”).

INTERIM FINANCING

11. As discussed in the First Affidavit, the Company is currently suffering from a liquidity crisis and requires funding to maintain its operations in the short-term and to fund its restructuring efforts.
12. Sections 28 to 33 of the Initial Order authorized the Monitor to obtain Interim Financing.

13. Subsequent to the March 14, 2013 initial application in these proceedings, the Monitor and Interim Lender entered into a credit agreement (the "**Credit Agreement**") on that same day.
14. The Credit Agreement provides for Interim Financing in the aggregate principle amount not to exceed \$2,750,000, which facility was to expire on June 15, 2013.
15. In order to allow the Company to continue its operations and fund the costs associated with these proceedings, the Credit Agreement was extended to June 28, 2013 pursuant to an amending agreement (the "**Amending Agreement**") dated June 14, 2013 between the Interim Lender and the Monitor. Attached hereto and marked as Exhibit "A" is a copy of the Amending Agreement.
16. I understand that the Monitor and the Interim Lender are currently engaged in negotiations with respect to a further extension of the Credit Agreement to accommodate the extension of the Stay Period to July 31, 2013 being sought by the Company.

DISCLAIMER OF AGREEMENT

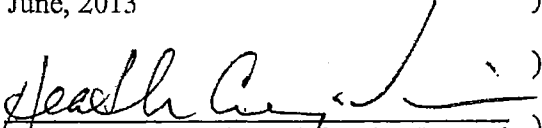
17. As discussed in my Affidavit sworn on April 8, 2013 as part of the within proceedings, RS, with the approval of the Monitor, provided Armor Structures Pty Limited ("**Armor**") with notice of its intent to disclaim the distribution agreement (the "**Distribution Agreement**") dated March 30, 2012 between RS and Armor pursuant to section 32 of the CCAA on April 5, 2013.
18. On April 22, 2013, Armor filed an application as part of the within proceedings in opposition to the disclaimer noticed received from RS. That application was subsequently adjourned *sine die*.
19. RS's legal counsel questioned Armor's affiant on May 30, 2013, and RS filed an affidavit of Galen Fecht in support of the disclaimer notice on June 13, 2013.
20. The request for tenders referred to in my April 8 Affidavit contemplated a contract signing on June 30, 2013 and a commencement date of July 15, 2013. I believe it is in

the best interests of RS and the within proceedings that the disclaimer of the Distribution Agreement issue be resolved expeditiously, particularly in light of the time frames set out above.

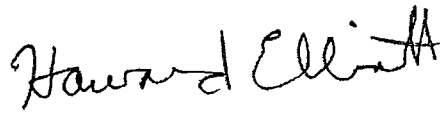
STAY EXTENSION

- 21. The Company is requesting an extension of the stay of proceedings to and including July 31, 2013 so as to allow for the closing of the Transaction and the filing of a plan of arrangement or compromise, if applicable.
- 22. The Company has been and continues to act diligently and in good faith in its efforts to achieve a successful restructuring for the benefit of all stakeholders.
- 23. The Company and Monitor require additional time to finalize and close the Transaction currently being negotiated by the Monitor, as well as other aspects of the Company's restructuring such as a claims procedure. The completion of such activities will increase the likelihood of a successful restructuring, as well as provide certainty to the Company's creditors and customers, prevent further value erosion, preserve the Company's business as a going concern, preserve jobs and maximize value for the benefit of stakeholders.
- 24. I swear this Affidavit in support of the Application filed by the Company for an Order granting an extension of the Stay Period.

SWORN BEFORE ME, at the City of)
Ann Arbor, Michigan this 19th day of)
June, 2013)



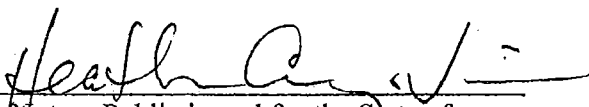
A Notary Public in and for the State of)
Michigan, United States of America)



HOWARD R. ELLIOTT

HEATHER CONWAY-VISSER
NOTARY PUBLIC, STATE OF MI
COUNTY OF WASHTENAW
MY COMMISSION EXPIRES Aug 12, 2017
ACTING IN COUNTY OF *Washtenaw*

This is exhibit "A" referred to in the Affidavit of Howard R. Elliott sworn before me on June 19, 2013 at the City of Ann Arbor, in the State of Michigan, United States of America.


A Notary Public in and for the State of
Michigan, United States of America

HEATHER CONWAY-VISSER
NOTARY PUBLIC, STATE OF MI
COUNTY OF WASHTENAW
MY COMMISSION EXPIRES Aug 12, 2017
ACTING IN COUNTY OF *Washtenaw*

June •, 2013

RS Technologies Inc.
233 Mayland Place NE
Calgary, Alberta T2E 7Z8

Attention: Howard Elliott
President and
Chief Executive Officer

F T I Consulting Canada Inc.
as Monitor of RS Technologies Inc.
1000, 888-3rd Street SW
Bankers Hall, West Tower
Calgary, AB T2P 5C5

Attention: Deryck Helkaa
Senior Managing Director

Dear Sirs:

Re: Interim Financing of RS Technologies Inc. during its proceedings under the
Companies' Creditors Arrangement Act

We refer to the interim financing credit agreement dated as of March 14, 2013 (the "**Credit Agreement**") between Werklund Capital Corporation and Melbye Skandinavia AS in their capacities as lenders (collectively, the "**Lenders**") and RS Technologies Inc. in its capacity as borrower (the "**Borrower**"), pursuant to which the Lenders are providing to the Borrower a non-revolving, secured, super-priority interim credit facility to finance the operations of and costs incurred by the Borrower during its proceedings under the *Companies' Creditors Arrangement Act* and the *Business Corporations Act* of Alberta.

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Unless otherwise defined herein, capitalized terms in this amending agreement (the "**Amending Agreement**") have the meanings given to them in the Credit Agreement.

1.2 References to the Credit Agreement

For greater certainty, on and after the date of this Amending Agreement, each reference in the Credit Agreement to "**this Agreement**," "**hereunder**," "**hereof**," "**herein**" or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement, as amended by the Amending Agreement.

1.3 Headings

Section and subsection headings in this Amending Agreement are included for convenience of reference only and do not constitute a part of this Amending Agreement for any other purpose and shall not be given any substantive effect.

1.4 Governing Law

This Amending Agreement is governed by, and is to be construed and interpreted in accordance with, the laws of the Province of Alberta and the laws of Canada applicable in that Province.

2. AMENDMENT

2.1 Term

Section 4.1(a)(iv) of the Credit Agreement is hereby amended by replacing "June 15, 2013" with "June 28, 2013".

3. MISCELLANEOUS PROVISIONS

3.1 Credit Agreement

Except as specifically amended by this Amending Agreement, the Credit Agreement remains in full force and effect unamended and is hereby ratified and confirmed.

3.2 Waiver

The execution, delivery and performance of this Amending Agreement shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of, any right, power or remedy of the Lenders under the Credit Agreement or the Interim Facility Charge.

3.3 Entire Agreement

This Amending Agreement, together with the Credit Agreement, constitutes the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties.

3.4 Fees and Expenses

The Borrower will reimburse the Lender for all reasonable fees (including legal and professional fees on a full indemnity basis), disbursements and out-of-pocket expenses incurred by the Lenders in any manner in connection with this Amending Agreement. All such fees, disbursements and expenses will be included in the Interim Facility Obligations and secured by the Interim Facility Charge.

3.5 Enurement

This Amending Agreement enures to the benefit of and is binding upon the Parties and their respective successors and permitted assigns.

3.6 Status of the Monitor

FTI Consulting Canada Inc. has executed and delivered this Amending Agreement in its capacity as Monitor of the Borrower and not in its personal capacity.

3.7 Counterparts and Electronic Delivery

This Agreement may be executed and delivered by the Parties in one or more counterparts, each

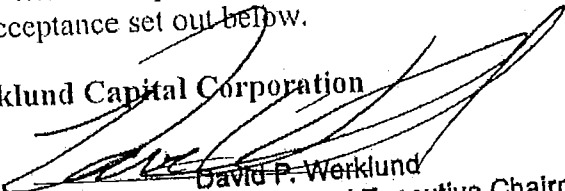
of which will be an original, and each of which may be delivered by facsimile, e-mail or other functionally equivalent electronic means of transmission, and those counterparts will together constitute one and the same instrument.

If the terms and provisions of this Amending Agreement are acceptable to you, please execute the acceptance set out below.

Werklund Capital Corporation

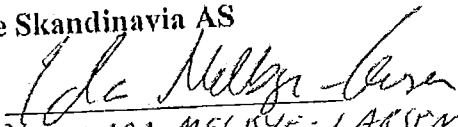
By:

Name:
Title:


David P. Werklund
Founder and Executive Chairman

Melbye Skandinavia AS

By:


Name: IDA MELBYE-LARSEN
Title: CHAIRMAN

The undersigned accepts and agrees to the terms and provisions of this Amending Agreement this day of June, 2013.

RS Technologies Inc., by FFI
Consulting Canada Inc., in its
Capacity as Monitor, and not in
its personal capacity

By:

Name:
Title:

of which will be an original, and each of which may be delivered by facsimile, e-mail or other functionally equivalent electronic means of transmission, and those counterparts will together constitute one and the same instrument.

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Werklund Capital Corporation

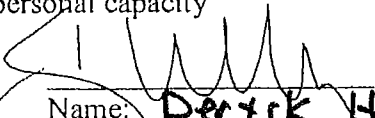
Melbye Skandinavia AS

By: _____
Name:
Title:

By: _____
Name:
Title:

The undersigned accepts and agrees to the terms and provisions of this Amending Agreement this 14 day of June, 2013.

RS Technologies Inc., by FTI Consulting Canada Inc., in its Capacity as Monitor, and not in its personal capacity

By: 
Name: **Deryck Helkaq**
Title: **Senior Managing Director**